



CORRUPTION AND PUBLIC PROCUREMENT

FINDINGS AND RECOMMENDATIONS

Interdisciplinary Perspectives on Corruption

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Key conceptual elements of corruption

There are four minimal, sometimes implicit, conceptual elements that one finds across most disciplines.

First, there seems to be a consensus that corruption is an informal/illegal and secret exchange of formally allocated resources. In other words, money, goods, or other resources, which are considered to belong to an organization or collectivity, are instead handled or exchanged covertly in ways that benefit one or more persons who are not the formal owner. At minimum corruption occurs in a formal organizational context.

Second, at least one corrupt party has to have formal membership/affiliation or at least a contractual relation with the organization from which the resources are extracted. This distinguishes corruption from other criminal activities where the criminals do not have a formal affiliation to the organization from where the resources are illegally extracted.

Third, corruption happens between two or more corrupt parties. There is one party who “sells” the resources and another party who compensates that individual for them. It might seem like a commonplace, but the existence of the second corrupt party distinguishes corruption from other organizational misdeeds such as embezzlement, fraud, or theft when the actor illegally acquires his/her organizational resources; however, in these cases, there is no second party, a “buyer” of such resources involved.

Fourth, a corrupt act is always a deviation from social rules or expectations of some kind. These rules vary greatly in form: sometimes corruption involves the

violation of written contracts; sometimes legal codes are broken; and sometimes moral codes are transgressed but not laws.

Three major approaches to study of corruption

Most studies of corruption fall into three major categories: (i) a micro-level perspective where corruption is viewed as resulting from rational decisions of individual actors; (ii) a macro perspective that focuses on social norms and the structural arrangements that facilitate corruption; and (iii) a relational approach that examines social interactions and networks among corrupt actors.

Regarding the **first category (Corruption as utility maximization: a rational-actor approach)**, core concepts include an idea of the dysfunctionality of state institutions. Empirical studies suggest that higher salaries of civil servants lead to lower corruption. Studies have identified several personality traits, such as high irresponsibility, hedonism, and narcissism, as well as low self control, integrity, and conscientiousness, that substantially correlate with white-collar criminal activities. However, the relationship between state intervention and corruption is not straightforward. Empirical studies found that a higher level of public intervention, for example in Scandinavian and Northern European countries, may even be associated with a very low level of corruption.

Regarding the **second perspective (Corruption as social constraint: a structural approach)**, there are two structural elements in corruption. The first one is related to social norms and culture that mainly represent the symbolic and often unconscious realm of social life. The second type refers to a more visible and material structure. Empirical studies suggest that the willingness of actors to engage in corruption reflects the universalistic social norms and values that people internalized in the countries where they grew up. People from highly corrupt countries show more willingness of rule breaking. One common normative explanation of

corruption is related to religious norms and beliefs. Cross-national comparative studies have argued that corruption is higher in countries where more hierarchical forms of religion such as Catholicism, Eastern Orthodoxy, and Islam are prevailing, whereas the level of corruption tends to be lower in countries with a larger proportion of Protestant population. In cultures with hierarchical and strongly centralized religions and a general acceptance of power differences between people are more likely to engage in corruption because of paternalism, autocracy, and reduced trust caused by the high power inequality. Scholars have also recognized that the enforcement of external regulations within an organization is often difficult because the organization may create an insider norm, a culture of silence and cover-up where even honest members show solidarity with their deviant and corrupt colleagues. Material structural concepts explain corruption that increased economic competition and economic growth are negatively related to corruption. Thus, formal democratic institutions reduce corruption but only over the long term, while emergent democratization may even increase the level of corruption. In contrast to the findings that economic competition reduces corruption at the country

level, the literature in organization studies emphasizes that an intensely competitive environment can drive organizational members to engage in misconduct, rule-breaking, and corrupt activities. Corruption may be very high in certain economic sectors with fierce competition but low at general national level.

Regarding the **third perspective (Corruption as social exchange: a relational approach)**, there are two main corruption models: horizontally and vertically structured corrupt networks. The first one focuses on corrupt exchanges when there is a trust-based and intimate relationship among the actors. In the second model, corruption happens between unequal actors and power dynamics are important components of exchanges. Corrupt transactions, as well as gift giving, do not always require immediate return; thus, there is a gap between transfer and counter-transfer and therefore most corrupt practices cannot be characterized strictly as market transactions. The relational approach suggests that phenomena such as informal personal networks, personal trust, patronage, loyalty, and gift-giving may be complementary and necessary arrangements for maintaining social stability.

Table 1 shows a summary of the differences between these main categories

	Rational-actor approach	Structural approach	Relational approach
Level of analysis	<i>Micro</i>	<i>Macro, and middle</i>	<i>Middle</i>
Motivation/constraint to participate in corruption	<i>Maximize monetary rewards and minimize costs</i>	<i>Forced by structural constraints</i>	<i>Profit from the associations with others</i>
Exchange form	<i>Economic/market</i>	<i>Driven by norms and material structural constraints</i>	<i>Reciprocal, often non-material</i>
Relationship form	<i>Impersonal, short term</i>	<i>Relationship between individual and collective entities</i>	<i>Interpersonal, long term</i>
Corruption from an Organizational perspective	<i>Corruption is an exceptional problem within the organization: bad apple</i>	<i>Corruption is systematic product of collective processes: bad barrel</i>	<i>Corruption is an informal exchange network behind formal organizational structures</i>